Biotech Band Back Together

**HEALTH CARE:** Beldegrun outfit gets $420M, plans IPO

**By DANA BARTHOLOMEW Staff Reporter**

The Los Angeles-based team of executives who sold Kite Pharma Inc. last summer to Gilead Sciences Inc. for nearly $12 billion didn’t take long to start a biotech company to develop cellular cancer treatments.

Beldegrun

Allogene Therapeutics Inc., launched by Kite founder Arie Beldegrun two months after the sale, has raised $420 million – including a private financing last month of $120 million.

Now the South San Francisco-based firm has filed for initial public offering that could raise up to $288 million more to fuel a pipeline of 17 off-the-shelf cancer treatments known as allogeneic CAR T therapies.

“Arie Beldegrun is a tour de force,” said Peter Emtage, global head of cell therapy research for Kite, a Gilead Co., while addressing a Southern California Biomedical Council conference last month in Long Beach.

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therapies, where treatments include modifying a sick patient’s own autologous T cells to combat cancer.

Allogene, on the other hand, aims to develop a cure for a range of cancers with off-the-shelf treatments derived from the allogeneic T cells of healthy donors, which are then modified for universal use.

“Our goal is to maintain our leadership in allogeneic CAR T therapy and be the first company to develop and commercialize an allogeneic CAR T product,” said Chang, now chief executive officer of Allogene, in a statement after the company’s Sept. 6 private placement. The IPO filing also came last month, and executives are now in a required quiet period as the company seeks federal approval.

Kite’s flight path

It took only two months after Kite’s sale to Gilead for the Food and Drug Administration to approve Yescarta, a key asset that came as part of the deal. Yescarta was the second chimeric antigen receptor (CAR) T cell therapy approved to treat blood cancers such as non-Hodgkin lymphoma. Novartis AG’s Kymriah was first, a few weeks ahead of Kite.

The gene-based CAR T treatments developed by Kite take a patient’s immune cells and re-engineer them to attack malignant cancer cells.

They also serve as the lynchpin in a Gilead strategy to expand on its leading HIV and hepatitis C drug franchises.

The renamed Kite, a Gilead Co. retained its base of operations in Santa Monica, and has more than doubled the number of its employees to nearly 1,500 worldwide, including hundreds at its manufacturing plant in El Segundo.

Revenue from sales of its Yescarta, at a cost of $373,000 per treatment, reached $108 million in the first half of 2018.

“Yescarta forms the foundation of our leadership position in cell therapy and we continue making significant progress with the launch in the United States and more recently, the (European Union), where Yescarta was approved [in August],” said Shant Salakian, a spokesman for Kite, in an email.

Kite also is researching next-generation cell treatments that include off-the-shelf treatments similar to Allogene’s, in addition to a robust pipeline of cancer treatments that includes ones for solid tumors, Salakian said.

Beldeegrur’s bona fides

It was in October 2017 that Beldeegrur and Chang — along with Kite executives that included former Communications Officer Christine Cassiano and General Counsel Veer Bhavnavgri — helped form Allogene along with veterans of Amgen Inc. Hundreds of millions poured in from major investors.

Beldeegrur, an Israel-born oncologist and cancer surgeon at
UCLA, had a track record of co-founding biotech winners. His 
Agensys Inc. was sold to Astellas Pharma Inc. of Japan for 
$537 million in 2007. Another venture, Cougar Biotechnology 
Inc., was purchased by Johnson & Johnson for nearly $1 
billion two years later.

Then came Kite, with its personalized therapy that stood to 
revolutionize medicine with a potential cure for cancer. But it 
takes weeks to modify the so-called autologous cells taken from 
each cancer patient, which might also struggle against a ticking 
clock.

**Allogene's ambition**

Beldegrun's latest venture aims to go even further. The new 
Allogene, armed with a portfolio of gene-based assets from 
Pfizer Inc., aimed to develop a universal cell-based treatment 
that didn't require altering the white blood cells of each 
individual patient to kill cancer.

The holy grail of the new allogeneic CAR T therapy would 
be to simply engineer healthy donor cells that can be used by 
the world's cancer patients – while not be rejected by foreign 
invaders, as can happen with transplanted organs.

Allogene executives have sought to achieve a market edge 
by pioneering numerous allogeneic cell therapy candidates to 
allow for quicker cancer treatments at a potentially lower cost.

The idea instantly caught fire with investors. A $300 million 
Series A round drew a consortium that included Pfizer, with a 
25 percent share, the University of California, TPG Carthage 
Holdings and its affiliates, Vida Ventures and Beldegrun’s 
Belleco Capital and Seaview Trust.

Gilead also jumped in with an initial share of nearly 10 
percent in the new Beldegrun-led startup, which, as of June 
30, amounted to 8.4 percent, according to a Securities and 
Exchange Commission filing.

There was no noncompetition clause in Beldegrun's exit 
from Kite, an Allogene representative said. Beldegrun's new 
company struck a deal with Pfizer in April to acquire the rights 
to 16 preclinical targets licensed from French biopharmaceutical 
companies Laboratoires Servier and Cellectis SA.

It also includes UCART19, an off-the-shelf CAR T therapy 
now in a phase 1 clinical trial by Servier for acute lymphoblastic 
leukemia. Two patients have died during the study as a direct 
result of the therapy, Allogene said last month in a Securities 
and Exchange Commission filing.

Allogene Therapeutics is now located next to Pfizer’s South 
San Francisco office. It now employs 75 people, including 40 
workers who once worked for Pfizer.

**Gilead's outlook**

Gilead Sciences investors might have cooled on the value 
of its Santa Monica-based genetically engineered cell division. 
Gilead’s stock has been up and down, ranging around $70 a 
mark since the Kite acquisition was completed a year ago.

The Foster City company’s long-time chairman as well as its 
chief executive and chief medical officer have recently stepped 
down.

The most recent quarterly filing by Gilead to the SEC 
reported the identifiable net assets of the Kite acquisition 
at $8.2 billion as of June 30. Nearly $3 billion in unidentified 
“goodwill” assets was factored into the overall $11.1 billion 
valuation.

Some analysts, meanwhile, have downgraded this year’s 
sales expectations of Kite’s Yescarta CAR T cancer treatment 
from $400 million to $300 million.

Others say Gilead may have to write down its $11.9-billion 
deal within an increasingly crowded CAR T marketplace that 
includes such competitors as Novartis, Celgene Corp., Atara 
Biotherapeutics Inc., Unum Therapeutics Inc., to name a few.

“They certainly might,” said senior research analyst Brian 
Skorney of Robert W. Baird & Co., who just downgraded 
Gilead stock from “outperform” to “neutral.” “Investor 
expectations have been disappointing. And to make a deal of 
this scale work, it would have to be a substantial blockbuster 
drug.”

Tyler Van Buren, senior biotechnology analyst for Piper 
Jaffray & Co., was more bullish on Kite and its Gilead parent. 
He expects Yescarta could bring in $2.8 billion for Gilead by 
2025, with other genetic treatments for blood cancers soon 
to follow.

“People are expecting a pretty big inflection – usage and 
prices – by 2025,” Van Buren said. “For that ($11.9 billion) 
to pay off, you need at least a $2-billion to $3-billion franchise” 
in terms of annual earnings.

“Some think that the opportunity for liquid tumors may 
be a lot smaller, Van Buren said. “The hope is that it can be 
translated into solid tumors, as well as (off-the-shelf) allogeneic 
treatments.”